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**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 1st day of October, 2010, between LINDA L. DOWNEY, TRUSTEE OF THE LINDA L. DOWNEY 2003 TRUST, 9211 Edgemont Drive, North Richland Hills, Texas 76180 34480 as Lessor, and PALOMA BARNETT, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6606 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

See Exhibit "A" attached.

in the County of TARRANT, State of TEXAS, containing 77.3946 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

18. Lessor agrees to execute, without payment of additional compensation, any and all documents required to obtain approval from any and all federal, state, county or municipal/local government entities to conduct the operations contemplated by this Lease, including, but not limited to, distance waivers, consents, easements prohibiting construction of improvements within certain distances, and petitions of support.

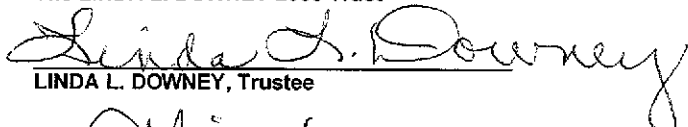
19. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.


20. See Addendum attached hereto as Exhibit "B" and made a part hereof.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)  
The LINDA L. DOWNEY 2003 Trust

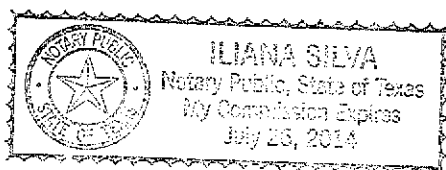
  
LINDA L. DOWNEY, Trustee



#### ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 0 day of Oct 2010 by  
LINDA L. DOWNEY, as Trustee of The LINDA L. DOWNEY 2003 Trust, on behalf of said Trust.



  
Notary Public, State of Texas

## Exhibit "A"

77.3946 acres, more or less, situated in the Robert M. Throckmorton Survey, A-1531; and being Tracts 1 – 20, Moore-Dobkins-Estes Subdivision, an addition to the City of Arlington, Texas, Tarrant County; according to the plat recorded in Volume 388-J, Page 27, Plat Records, Tarrant County, Texas; and more particularly described in the following conveyances:

Tract # 1, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. H. Moore, Leroy E. Dobkins and R. P. Estes to Horace Rufner and wife Sadie Rufner, as recorded in Volume 2558, Page 193, dated 4/22/1953; Save and Except ½ of all mineral rights.

Tract #2, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to R. R. Mattox and wife Katrene Mattox, as recorded in Volume 3748, Page 618, dated 10/30/1962; Save and Except ½ of all mineral rights.

Tract #3, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from Leroy E. Dobkins, R. H. Moore and R. P. Estes to W. A. Buck, as recorded in Volume 2925, Page 538, dated 9/23/1955; Save and Except ½ of all mineral rights.

Tract # 4, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from Leroy E. Dobkins, R. H. Moore and R. P. Estes to R. L. Hawbaker and his wife Mary Hawbaker, as recorded in Volume 3267, Page 465, dated 7/14/1958; Save and Except ½ of all mineral rights.

Tract #5, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to C. H. Roller, as recorded in Volume 3222, Page 537, dated 6/23/1956; Save and Except ½ of all mineral rights.

Tract #6, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to Donald L. Goodyear, as recorded in Volume 3138, Page 369, dated 8/9/1957; Save and Except ½ of all oil, gas and minerals in and under said herein described property.

Tract #7, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from Leroy E. Dobkins, R. H. Moore and R. P. Estes to Charles R. Bratcher, as recorded in Volume 2907, Page 312, dated 9/1/1955; Save and Except ½ of all mineral rights.

Tract #8, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. H. Moore, Leroy E. Dobkins and R. P. Estes to Murray Marshall Jr. and wife Geraldine T. Marshall, as recorded in Corrected Warranty Deed, Volume 2666, Page 417, dated 1/11/1954; Save and Except ½ of all mineral rights.

Tract #9, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. H. Moore, Leroy E. Dobkins and R. P. Estes to Murray Marshall Jr. and wife Geraldine T. Marshall, as recorded in Volume 2554, Page 217, dated 4/10/1953; Save and Except ½ of all mineral rights.

Tract #10, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas from Leroy E. Dobkins, R. H. Moore and R. P. Estes to J. D. Rogers, as recorded in Volume 2971, Page 198, dated 1/17/1956; Save and Except ½ of all mineral rights.

Tract #11, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to Luther G. Savage and wife Manera C. Savage, as recorded in Volume 3119, Page 7, dated 6/4/1957; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #12, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. H. Moore, Leroy E. Dobkins and R. P. Estes to Luther G. Savage and wife Manera C. Savage, as recorded in Volume 2993, Page 157, dated 8/18/1954; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #13, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from Leroy E. Dobkins, R. H. Moore and R. P. Estes to E. B. Hull and wife Pearl Hull, as recorded in Volume 2773, Page 311, dated 10/4/1954; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tracts #14-15, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to G. F. Farmer Jr., as recorded in Volume 3712, Page 60, dated 7/16/1962; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #16, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to J.W. Evans, as recorded in Volume 3160, Page 418, dated 11/1/1957; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #17, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to Riley R. Mattox, as recorded in Volume 2774, Page 396, dated 10/6/1954; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #18, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. H. Moore, Leroy E. Dobkins and R. P. Estes to Riley R. Mattox and wife Ruth K. Mattox, as recorded in Volume 2666, Page 53, dated 1/22/1954; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #19, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from Leroy E. Dobkins, R. H. Moore and R. P. Estes to Lester H. F. Painter and Brainer L. Painter, as recorded in Volume 3106, Page 240, dated 4/20/1957; Save and Except  $\frac{1}{2}$  of all mineral rights.

Tract #20, Moore-Dobkins and Estes Subdivision out of the R. M. Throckmorton Survey, Tarrant County, Texas; from R. P. Estes, Leroy E. Dobkins and R. H. Moore to J. R. Parker, as recorded in Volume 3138, Page 368, dated 6/4/1957; Save and Except  $\frac{1}{2}$  of all mineral rights.

## EXHIBIT "B"

### ADDENDUM

This Addendum is attached to that certain Paid Up Oil and Gas Lease between Linda L. Downey, Trustee of the Linda L. Downey 2003 Trust, whose address is 9211 Edgemont Drive, North Richland Hills, Texas 76180, (referred to herein as "Lessor") and Paloma Barnett, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6606, as Lessee, Dated September 30, 2010 ("Lease").

1. The terms and provision of the Addendum are hereby incorporated into the above reference Lease as though set forth in said Lease at length. In the event of a conflict in the terms of this Addendum and the Lease, the terms and provisions of this Addendum shall prevail and govern the rights and obligations between the parties.

2. Language contained in the Lease to the contrary notwithstanding, the parties hereby agree as follows:

A. The lease covers and applies only to the land specifically described in metes and bound on Exhibit A attached to the lease. The lease does apply to strips and gores, after acquired property, or any other property not specifically described.

B. The Lease is only for and only covers oil, gas and other liquid or gaseous hydrocarbon.

C. The Lease does permit geophysical and/or geochemical surveys on the leased premises. Any consent for geophysical and/or geochemical surveys and consideration to be paid therefore must be negotiated between the parties at the time such survey is to be conducted.

D. It is agreed between the Lessor and Lessee, that all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of exploring, drilling, producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

E. Shut-in royalties shall be \$75.00 per net mineral acre. Lessee can only perpetuate the Lease for a period of two consecutive years, or three years cumulative by the payment of shut in royalties.

F. Lessee has the right to pool the leased premises in a pooled unit not exceeding 320 acres plus a 10% tolerance. Lessee will provide Lessor a filed marked copy of the designation of Pooled Unit within thirty days of filing the same in the Official records of Tarrant County. The leased premises cannot be removed from a producing unit without Lessor's prior written consent.

G. (a) Should Lessee be prevented by reason of Force Majeure (as hereinafter defined) from complying with any expressed obligation or implied covenant of this Lease (other than a requirement to pay money) from conducting drilling or reworking operations on the Leased Premises or lands pooled therewith, or from producing oil and/or gas from the Leased Premises or lands pooled therewith then while so prevented, Lessee's compliance with such obligation(s) or covenant(s) shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith, and this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Leased Premises or lands pooled therewith;

and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God; any federal or state law; any rule or regulation of governmental authority; scarcity or delay in obtaining materials, equipment, or labor; delays in obtaining permits; or other causes beyond the control of Lessee (other than financial reasons) and that was not and could not have been reasonably anticipated by Lessee under the facts and regulatory environment existing at the time this Lease was executed. Force Majeure shall extend this lease for a reasonable period of time beyond the end of the actual Force Majeure, in order for Lessee to prepare for and to proceed with conducting the desired operations on or from producing oil or gas from the Leased Premises.

(b) Within thirty (30) days after the date of an occurrence which Lessee considers to constitute force majeure, Lessee shall give Lessor written notice of the date of and full details concerning such occurrence. Lessee shall give Lessor written notice of the particular date upon which any such cause or causes are remedied and force majeure ceases to be operative.

(c) Nothing contained in this Lease shall be construed to suspend the payment of royalty, shut-in royalty or other payments required under this Lease.

(d) This Lease shall in no event be extended under the terms of this paragraph for a period longer than two (2) consecutive years.

H. There shall be no preferential right to purchase any proffered top-lease. Paragraph 12 of the Lease is hereby stuck from the lease and is of no further force and effect.

I. (a) Each obligation of Lessee (i) expressed herein, (ii) expressed in the addendum attached hereto and incorporated herein, and/or (iii) implied by law shall be deemed and construed to be a condition of this Lease as well as a covenant. In addition to other rights and remedies set out herein, Lessor is specifically entitled to the remedy of termination of this Lease in the event of Lessee's breach or default of and/or non-compliance with the terms and provisions hereof. Lessee shall not be deemed or held to be in breach or default or to have failed to comply with any obligation or condition, expressed or implied, until thirty (30) days after receipt by Lessee of written notice from Lessor, setting out specifically the nature of such breach, default and/or non-compliance. During such thirty (30) day period Lessee may comply or commence to comply with such obligation or covenant, and if such obligation or covenant is thereupon or thereafter diligently complied with, then Lessee shall be deemed to have fully complied with such obligation or covenant. Neither the service of written notice nor the doing of any acts by Lessee to correct the alleged failure of compliance shall be deemed an admission or presumption that Lessee has failed to comply with any obligation or covenant.

(b) The foregoing provisions regarding notice of noncompliance under this Lease (i) shall not apply to obligations in this Lease for which time limits for performance are separately stated, and/or the habendum clause set out in Paragraph 2 herein above, and (ii) shall not be construed as extending the time within which Lessee's obligations under this Lease must be performed.

J. This Lease is made without warranty of title, either express or implied, except as to conveyance or encumbrances by, through, or under Lessor.

K. Lessee has no right to pay any obligation of Lessor or otherwise intervene in any of Lessor's contractual relationships with outside third parties without Lessor prior written consent.

L. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

M. Upon Lessor's request, Lessee will furnish to Lessor a copy of each title opinion secured by Lessee covering the Leased Premises or any part thereof, and copies of any curative matter secured in connection therewith. It is understood and agreed that Lessee shall only furnish that portion of the title opinion which refers to the lands leased herein and that Lessee is not entitled to information contained in said title opinions regarding properties for which he does not own an interest.

N. Lessor shall have the right, at its own expense, at any reasonable time, on an annual basis, to make an audit of Lessee's accounts, contracts, books and records pertaining to the Leased Premises for the purpose of ascertaining the amount of production and sales and the cost of manufacturing and extracting any and all substances covered by this Lease. If the audit reveals an underpayment, Lessee shall be responsible for the costs of the audit; however, Lessee shall only be liable for such costs to the extent the audit costs are equal to or less than the amount of the audited underpayment. In no event shall this provision be construed to limit or restrict Lessor's rights to assert any claims against Lessee under applicable law.

O. Lessor and Lessee specifically acknowledge that the terms and provisions of this Lease were negotiated between the parties based upon common assumptions, and that neither party shall be deemed to have drafted this Lease. Should either party hereto, and/or any party claiming by or through any party to this Lease, and/or any party claiming to have an interest in this Lease contest the validity of any term and/or provision contained in this Lease, or should any term and/or provision of this Lease be declared to be invalid by a court of competent jurisdiction, then the non-contesting party, their heirs, successors, representatives and/or assigns may terminate the balance of the Lease. In the event of such an election to terminate, the entire Lease shall be null, void and have no further force and effect.

P. This Lease shall not become effective or bind either party hereto, or create a leasehold estate in the Leased Premises until it has been executed by both parties hereto. This Lease shall be executed in duplicate originals, each of which shall be deemed an authentic original of the Lease. Lessee shall provide Lessor with one fully executed original.

Q. All royalty payments shall be due within time specified in V.T.C.A. NATURAL RESOURCES CODE. Should Lessee fail to pay such royalty within such time, then Lessee shall be obligated to pay, and shall pay, to Lessor interest on said accrued royalties at the rate of the lesser of the maximum rate permitted by

law, or one and one-half percent (1-1/2%) per month, from the due date until the date of payment. Should Lessee pay Lessor all royalty payments past due during any period with accrued interest, this lease shall not be cancelled under the terms of this paragraph. The rights of Lessor under this paragraph shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under Texas, law, including, without limitation, V.T.C.A. NATURAL RESOURCES CODE Sections 91.401 through 91.405.

R. If in the event of production, a division order or a stipulation of interest or other such document or form is circulated by Lessee, or assigns or by a purchaser of production, for interest owners under this Lease to sign, such instrument or form will only be a simple statement of interest consistent with the royalty portion of this Lease, and containing no warranty or indemnity clauses and containing no clauses modifying or ratifying in any way the terms of this Lease. Insertion of any such prohibited clause will be of no force and effect. Absent a bona fide title dispute, failure or delay of Lessor to sign and return a division order or stipulation of interest or other such form circulated by Lessee shall not relieve Lessee of its obligation to pay Lessor's royalty to Lessor, nor shall it entitle Lessee to pay Lessor's royalties into a suspense account. Lessor makes this Lease without warranty of title either express or implied, and may not be required to return the consideration received for this Lease, including but not limited to lease bonus, delay rentals or royalties received hereunder. Lessee agrees to consult Lessor concerning any proposed action to be taken concerning title curative matters, and Lessee shall give Lessor an opportunity to express its opinion concerning same prior to any action being taken by Lessee. Execution by Lessor of a division order or a stipulation of interest or other such document or form is circulated by Lessee, or assigns or by a purchaser of production after this Lease has terminated shall not resurrect, revive, ratify or otherwise reinstate the terminated Lease.

S. Upon expiration or termination of this Lease for any reason as to all or any portion of said Leased Premises, Lessee shall be obligated at its expense to promptly prepare, execute and within thirty (30) days of such expiration or termination, file in the public records in the county in which said land is located an appropriate release instrument covering all or such portion of said Leased Premises, and to promptly forward a copy of same as so recorded to Lessor. If Lessee fails to timely record and furnish to Lessor any aforesaid release or partial release, Lessor may give Lessee written demand that such release be filed and an aforesaid copy be furnished to Lessor, and if Lessee fails to do so within thirty (30) days after date of receipt of such written demand, then Lessor may execute and file for record such a release or partial release, which shall be binding upon Lessee, and this Lease shall be deemed terminated as to the land and/or depth covered by such release. The provisions of this paragraph shall apply each time that a termination occurs.